

State of Colorado



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457 Deferred Compensation Committee
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NOTICE OF STATE DEFERRED COMPENSATION and PUBLIC OFFICIALS' AND EMPLOYEES' DEFINED CONTRIBUTION PLAN COMMITTEE MEETING

FROM: Suzanne E. Kubec, DC Plan Administrator

SUBJECT: Meeting October 11, 2007 **Note Location/Room Change**

PLACE: 200 E. 14th LAC Bldg Rm. B
Denver, CO 80203

The meeting will be broadcast live at <http://www.colorado.gov/dpa/dhr/benefits>, under "Hot Topics" click on "Listen to 457 Committee Meeting Live 10-11-07". The legislative page opens then choose "Legislative Audit Committee Hearing Room".

TIME: 1:30 p.m. - 4:30 p.m.

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| 1. Roll Call | 2 mins. 1:30 p.m. |
| 2. Approval of Minutes – September | 5 mins. 1:32 p.m. |
| 3. Approval of Agenda | 3 mins. 1:37 p.m. |
| 4. Announcements – Suzanne Kubec | 20 mins. 1:40 p.m. |
| 5. Conference Summaries - Attendees | 30 mins. 2:00 p.m. |
| 6. Public Comments | 5 mins. 2:30 p.m. |
| 7. Plan Recordkeeping Analysis Update – Suzanne Kubec | 10 mins. 2:35 p.m. |
| 8. HB07-1184 Sudan Divestment Update – Suzanne Kubec | 15 mins. 2:45 p.m. |
| Break | 15 mins 3:00 p.m. |
| 9. Discussion re: Match Plan Administration – Heidi Dineeen, AGO | 30 mins. 3:15 p.m. |
| 10. Monthly 457 Plan Marketing Report – Andrew Ahrens, GW | 20 mins 3:45 p.m. |
| 11. Guests Q&A | 10 mins. 4:05 p.m. |

NOTE:

The next Deferred Compensation Committee meeting will be on **November 8, 2007 at 200 E. 14th LAC Bldg Rm. B**. The Executive Committee meets to discuss agenda items one week prior to each committee meeting. Since the time and place vary, please call 303-866-4066 for specific information.

Special accommodations will be provided upon request for person with disabilities. If you are a person with a disability who requires special accommodation to participate in this meeting, please notify Paula Manzanares at 303-866-4066 within 72 hours of meeting date.

**Minutes of the Meeting of October 13, 2007
Legislative Services Building (LSB)
200 East 14th LAC Room B
Denver CO 80203**

DEFERRED COMPENSATION COMMITTEE

Present:	Dave Loomis- Excused Billy Kwan Les Shenefelt Ben Stein	Rep. Richard Mutzebaugh Joann Vondracek- Excused	Sen. Lois Tochtrop Dean Conder-Excused Patrick Byrne
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Attendees:	Department of Personnel & Administration	Suzanne Kubec	Paula Manzanares
	The Hartford	Donna Delong	
	ICMA	Emily Knox	
	Great West	Rick Kramer Liz Davidsen	Theresa Myers Cruz
	Attorney General's Office	Heidi Dineen	

Roll call Billy Kwan called the meeting to order.
Paula Manzanares called the roll.

**Approval of
Minutes
September 13,
2007** **Senator Tochtrop motioned to approve the minutes.
Representative Richard Mutzebaugh seconded the motion
The motion carried unanimously.**

**Approval of
Agenda** The agenda as written stood approved. Item # 9 regarding the Match Plan Administration was tabled until the November meeting. There were no other changes.

**Follow up from
September 2007
Suzanne Kubec
Performance
Audit** Suzanne spoke with Michelle Colin at the State Auditors Office who is working on the Request for Proposal (RFP). Michelle is targeting the release of the RFP for end of October 2007 with a contract signed by end of November 2007. The Committee will have the opportunity to provide comments on the RFP. The timeline for comments will be a short turnaround and be done via e-mail.

Announcements
October
Suzanne Kubec
Stable Value Fund
Rates:

4th quarter rates for the Great West Stable Value Fund will increase .05% to 4.85% for the 457/401a match and 4.80% for the State DC Plan. Suzanne requested the rates from Hartford and ICMA. Emily Knox, ICMA, stated the Stable Asset Fund would be 4.70%. At the time of this meeting she had not received anything from Hartford.

457 Quarterly
Statements

Beginning with the third quarter 457 Plan statements, participants will see annual returns in addition to quarterly returns.

Conferences

Suzanne reminded Committee members who attended NAGDCA or the P&I conference to submit their travel reimbursement to Suzanne and she will forward them to Michele Carroll in accounting.

National Save For
Retirement Week

Suzanne stated that the proclamation "National Save For Retirement week" was printed on the back of the employees pay advices. Suzanne obtained approval to post this message in the display cases on the first floor of 1313 Sherman Street starting the week of October 15, 2007. The Committee was asked to come by and see the display.

Ameritrade

Billy Kwan sent Suzanne an article that appeared in the Rocky Mountain News, stating that Ameritrades' participant database had been compromised. Ameritrade is sending out letters to participants and there is also a notification on their website. Ameritrade states that user ID and passwords were not included in this database and that account assets remain secure.

Iran Divestment

There are discussions around proposed legislation for Iran divestment similar to the Sudan divestment legislation last year. For now the proposed request will be Plans who have direct holdings with companies doing business with Iran. DPA's legislative liaison asked for the Committee's position, if any, on this proposed legislation. Last year the Committee had no position but stated they would comply with the legislation as passed. The Committee stated they would wait for the legislation to respond.

Conference
Summaries-
Attendees

The Committee members that attended NAGDCA summarized the different sessions that they attended. The items that stood out to them were defaulting new accounts to life-cycle funds (age-based), and communications based on demographics. These are two areas the Committee will discuss further in the future.

Suzanne started with the sessions she attended; Automatic Enrollment, Retiree Healthcare challenge, Current Trends in RFPs and Managed accounts. Suzanne noted that the Committee should discuss in depth the automatic enrollment made possible by the Pension Protection Act of 2006. As for the retiree healthcare, the two suggestions were a retiree healthcare account (RHA) and a health savings account (HSA).

**Continued
conference
summaries**

The RHA is employer sponsored and not possible in the governmental environment. The HAS is already provided to employees who are also enrolled in a high deductible health plan (HDHP) with the State. Consultants are already utilized when the Plans go out for bid, therefore this session confirmed the process we have already been following. Lastly, the discussion regarding which fund should employees be defaulted to; lifecycle, lifestyle or managed accounts. The Committee will have to discuss further.

Ben Stein, CDOT, said the breakout session based on the asset size of the plan was very interesting. He asked if other states had multiple vendors for the 457 Plan. No one did. Ben also noted that the revenue sharing discussion was enlightening. One of the comments in that session was that nine to twelve funds is the average number of investments that is easily understood by participants. He also talked about how to educate/communicate information about the plan based on the demographics of the employees i.e. age, location. Ben heard that when discussing lifecycle (age-based) versus lifestyle (risk based), it is difficult for employees to determine their risk tolerance but age based is easy. Lastly, Ben made the comment that the fiduciary responsibility is fundamentally different for a retirement plan than a supplemental Plan.

Les Shenefelt mirrored much of the same comments as Ben. He did add that the reliance on 12(b)-1 fee may be eliminated by the federal government because the initial purpose is no longer valid.

Patrick Byrne (OSPB) especially enjoyed the presentation from the IRS representatives and the discussion provided by the City of New York.

Billy Kwan stated that the P & I conference had many discussions on fees especially disclosure. Additional conference subjects were; mandates on annual statements, trying to unbundle the bundled provider, the process of prudence has changed, life cycle funds (age based), fee policy and fee structure and how these are set, automatic enrollment and payouts. Billy will provide Suzanne with the handouts to share with the Committee. Billy Kwan reiterated the conference discussion regarding the standard shift from procedural prudence to substantive prudence and suggested that not just the motion but also the substance (or debate) of any discussion regarding fees decisions and investment selections be highlighted in the minutes. Billy Kwan further reiterated the importance of having a fee policy.

Representative Mutzebaugh noted the difference between the P&I conference and NAGDCA is that most of the speakers are industry members at the P&I conference. He also stated that fees were a big issue. There was a congressman in attendance that stated there will be legislation on disclosure of fees. Representative noted that target funds are OK as long as the participant reevaluates every quarter. He

noted that there was a discussion on several lawsuits about default funds. He said we need to communicate to participants how to withdraw their account rather than rollover. The next two conferences are in April in Florida and October in California. He highly recommends this conference.

Public Comments

There were no public comments.

Plan
Recordkeeping
Analysis Update

Howard Biggs, Arnerich will be providing the signed task order to Suzanne on Friday October 12, 2007. He will start working on the analysis once it is signed by the State.

HB07-1184 Sudan
Divestment
Update-Suzanne

Suzanne has received letters and comments for the following 457 Plan funds:

Artisan MidCap Value, Veracity Small Cap value, Hotchkis and Wiley Large Cap Value, TCM Small Cap Growth Fund and GW Stable Value Fund – they all stated there are no companies identified on the list held by their funds.

Dodge & Cox Int'l Stock Fund They found two companies on the inactive operations list, Total SA and Schlumberger, Ltd held by the fund as of June 30, 2007. Decisions to invest in or divest in specific securities are based solely on their analysis.

American Funds Europacific Growth They have decided not to divest at this point in time, stating that the funds are managed only by the investment objectives. They will continue to weigh the investment merits of these companies going forward.

Ameritrade Great West is still working with them. Their response is that the divestment legislation does not apply to them because they don't make investment decisions or manage the funds. Suzanne is waiting for signature from Great-West on a contract amendment to add the scrutinized company list to the Ameritrade prohibited transactions.

No response to date from Munder or Vanguard for the 457 Plan.

Suzanne received a summary from Emily Knox, ICMA, that noted the model portfolios and the fidelity diversified Intl funds have some companies on the scrutinized list.

The Hartford sent the letters to the investment funds, but has not received a response to date.

Discussion
regarding Match
Plan
Administration

Les Shenefelt made the suggestion since a few of the Committee members were not available that we should table this discussion until the November meeting.

Monthly 457 Plan
Marketing
Report-Theresa
Cruz-Myers Great
West

Theresa Myers Cruz provided a handout for August and September 2007 that showed the total Plan enrollment and assets. The 457 Plan has 9,434 active employees contributing and the average monthly contribution is \$340. The 457 Plan is averaging about 85 new enrollments a month. Theresa suggested that Great-West provide recommendations to enhance the plan communication, at the July planning meeting. Ben Stein to include in the marketing report net growth and not just IRA rollover. He would like a “true growth” report. He also asked why there was a significant drop of 401 (a) match accounts from August to September 2007. Theresa will investigate this change in participation. Ben also asked if the percentage of assets can be added to the total asset pie chart. Theresa stated that she will provide information on these requests at the November meeting. Kevin Navarro, Great West gave an update to the Committee on the different events that Great West had participated in to educate employees about the Plan.

Guests Q & A's

This is a new item that will be added to the agenda due to a request from a participant. During the Committee meeting topics are discussed that may warrant questions or clarifications from the Committee. Therefore, the floor will be opened at this time. There were no questions for the Committee.

Adjourn

Representative Richard Mutzebaugh motioned to adjourn.
Senator Tochtrop seconded the motion.
The motion carried unanimously.